United Nations DP/2003/27

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
28 July 2003

Original: English

Second regular session 2003
8 to 12 September 2003, New York
Item 2 of the provisional agenda
Financial, budgetary and administrative matters

Annual review of the financial situation, 2002

Report of the Administrator

Summary

UNDP continues to be a multi-funded organization. Between 2001 and 2002, the organization witnessed an increase of 11 per cent in its overall funding level; the 2000-2001 growth rate was 9 per cent. Total donor resources – including regular donor and other donor resources, trust funds and MSAs (see abbreviations, page 4) – registered a growth of 23 per cent, rising to $1.848 billion in 2002. The total value of the contributions received from the top 20 donors amounted to $1.21 billion in 2002, of which $1.17 billion (97 per cent) was received from the top 15 OECD/DAC donors. It is also noteworthy to mention that UNDP was able to maintain the upward trend in its regular resources for the second consecutive year. While the continuing upward trend in regular donor resources is encouraging, the growth remains modest in relation to the targets set by the Executive Board and to the critical mass of programme and support resources required to maximize the impact of the organization's work, particularly in least developed countries. The increase in the overall funding level is primarily a result of the growth achieved in other resources. Other donor resources (donor cost-sharing, trust funds and management services agreements) continued its upward trend, representing 38 per cent of the aggregate income by 2002. In 2001, this ratio was 30 per cent of aggregate income. Between 2001 and 2002, donor cost-sharing increased by 35 per cent, from $182 million to $245 million; trust funds by 39 per cent, from $511 million to $711 million; and management services agreements by 65 per cent, from $88 million to $145 million. Local resources (programme country cost-sharing) provided by programme countries also continued to represent a significant portion of total income received (34 per cent of the aggregate income in 2002 in comparison with 41 per cent in 2001), reflecting continued the political will and support of partner countries for UNDP.

It should be noted that regular and other resources are not interchangeable. The ability of UNDP to fulfil its mandate and to play a catalytic role in the mobilization of other resources depends fundamentally on its having an adequate, secure regular funding base that guarantees its multilateral, impartial and universal character. In recalling its landmark decision 98/23 on the MYFF and core funding strategy, the Executive Board may wish to urge all donors to restore growth, timeliness and predictability to the regular funding base of UNDP.

03-44409 (E) 300703

Elements of a decision

The Executive Board may wish to: (a) take note of document DP/2003/27 and Add.1; (b) recognize that the growth trend in regular resources remains modest in relation to the targets set by the Executive Board and the critical mass of programme and support resources required to maximize the impact of the organization's work, particularly in the least developed countries; (c) recognize that the timeliness of payment of contributions is essential to avoid liquidity constraints and is a key factor for the achievement of the goal of greater predictability of income; (d) take note of the continued strength of other resource contributions to the organization and their contributions to the goals of the multi-year funding framework.

Contents

		Paragraphs	Page
Abbreviations			4
Definitions			5
I.	Introduction	1	6
II.	UNDP overall	2-14	6
III.	Regular resources	15-24	11
	A. Income	16	11
	B. Expenditure	17-20	12
	C. Balance of unexpended resources	21-24	13
IV.	Other resources	25-43	14
	A. Local resources	27-31	15
	B. Other donor resources	32-35	17
	C. Management services agreements	36	18
	D. Junior Professional Officer programme	37-39	19
	E. Reserve for field accommodation	40-43	19
V.	Funds administered by UNDP	44-56	20
	A. United Nations Capital Development Fund	45-48	20
	B. United Nations Development Fund for Women	49-52	21
	C. United Nations Volunteers	53-56	22
Annex:	UNDP overview		
	Table 11a. Statement of income and expenditure for the year ended 31 December 2002, with comparative figures for 2001		24
	Table 11b. Assets, liabilities and reserves and fund balances as of 31 December 2002, with comparative figures for 2001		25

Abbreviations

ACC	Administrative Committee on Coordination
BCPR	Bureau for Crisis Prevention and Recovery
CARERE	Cambodian Resettlement and Reintegration Programme
CCF	Country cooperation framework
DESA	Department of Economic and Social Affairs of the United Nations
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GLOC	Government local office costs
IAPSO	Inter-Agency Procurement Services Office
IBRD	International Bank for Reconstruction and Development
ICT	Information and communication technology
ILO	International Labour Organization
JPO	Junior Professional Officer
LDC	Least developed country
MDGs	Millennium Development Goals
MSA	Management services agreement
MYFF	Multi-year funding framework
NGO	Non-governmental organization
OECD/DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
OHADA	Organization for the Harmonization of Business Law in Africa
PAPP	Programme of Assi ance to the Palestinian People
RFA	Reserve for field accommodation
SMF/LDC	Special Measures Fund for the Least Developed Countries
SRF	Strategic results framework
SVF	Special Voluntary Fund (UNV)
TRAC	Target for resource assignment from the core
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNEP	United Nations Environment Programme
UNFIP	UNDP Trust Fund for International Partnerships
UNFSTD	United Nations Fund for Science and Technology for Development
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
UNRFNRE	United Nations Revolving Fund for Natural Resources Exploration
UNSO	Office to Combat Desertification and Drought
UNV	United Nations Volunteers
WSSD	World Summit for Social Development

Definitions

Regular resources: the resources of UNDP that are co-mingled and untied. These include pledges of voluntary contributions, contributions from governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income.

Other resources: the resources of UNDP other than regular resources, which are received for a specific programme purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties. Under this category fall cost-sharing and trust funds established by the Administrator. For presentation purposes, MSAs, the reimbursable support services and other activities (the JPO programme and the RFA, among others) are included in the other resources grouping.

UNDP resources: the resources credited to the UNDP regular resources account or other resources account and, therefore, exclude resources credited to the UNDP funds account.

Biennial support budget: the budget of an organization covering programme support and management and administration of the organization for a period of two years.

Funds administered by UNDP: the funds established by the General Assembly and administered by UNDP.

Programme support: expenditure incurred by organizational units (country offices and headquarters) whose primary function is the development, formulation, delivery and evaluation of the programmes of the organization.

Management and administration: expenditure incurred by organizational units whose primary function is the maintenance of the identity, discretion and well-being of the organization.

Support to operational activities of the United Nations: this consists of four elements that pertain essentially to activities funded by the regular resources, namely, country offices support, the United Nations Development Group, UNV and IAPSO.

Donor resources: consists of regular resources and other donor resources, including donor cost-sharing, trust funds and management services agreements.

Local resources: other resources received from programme countries.

I. Introduction

1. The present report provides an overview of the financial position of UNDP at the end of 2002 and the comparative figures for 2001. The report contains analyses of the activities of UNDP at the aggregate level, followed in order by analyses of the financial situation of regular resources, other resources and the funds established by the General Assembly. An overview of the overall aggregates is shown in the annex to the present document. All tables in the narrative provide summary information of detailed data that can be found in the statistical addendum (DP/2003/27/Add.1).

II. UNDP overall

2. This chapter presents the financial picture reflective of UNDP operational activities at the aggregate level and the resultant unexpended balances. In addition, table 1 of the addendum continues with a summary of all activities undertaken by UNDP. Although the data are broken down by type of activity, the figures have been aggregated to facilitate an overview of the overall financial position of UNDP

3. UNDP programmes and associated funds have made significant progress towards achieving the objectives outlined in the Administrator's Business Plans, 2000-2003. The results are evident in this final year of the Business Plans. In addition, the Millennium Declaration and the Millennium Development Goals have provided a powerful unifying force for United Nations system efforts, which gained significant momentum in 2002 with the launching of the United Nations MDG strategy, consisting of four components: monitoring the MDGs, the Millennium Project, the Millennium Campaign, and operational work.

4. While recent trends have shown a significant increase in other (non-core) resource contributions to UNDP, regular and other resources are not interchangeable, and the regular resource base is not yet on a sound and sustainable course. The ability of UNDP to fulfil its mandate and to mobilize other resources depends fundamentally on its having an adequate, secure regular funding base that guarantees its multilateral, impartial and universal character. The Administrator continues to believe firmly that regular resource contributions remain the bedrock of UNDP. The goal of ensuring that the regular resources base is placed on a path of sustainable growth to meet agreed targets, therefore, remains the top priority.

5. UNDP received a total contribution, net of interest and other income, of $2.9 billion in 2002 (including regular resources, other resources and funds), the highest level ever, up by 11 per cent from the 2001 level of $2.6 billion. Regular resources income increased by 2 per cent (from $660 million in 2001 to $670 million in 2002), continuing the upward trend that began in 2001. Other resources income rose by 14 per cent (from $1.9 billion in 2001 to $2.2 billion in 2002). For the third successive year, other donor resources exceeded the regular donor resources income. On the other hand, local resources (programme countries cost-sharing contributions) decreased by a rate of 8 per cent, from $1.1 billion in 2001 to $1.0 billion in 2002.

6. Total donor resources (including regular donor and other donor resources, trust funds and MSAs) registered a growth of 23 per cent, rising to $1.848 billion in

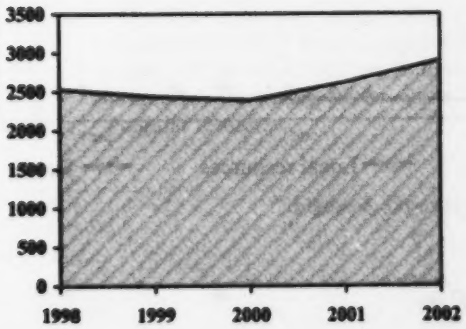
2002. The total value of the contributions received from the top 20 donors amounted to $1.21 billion in 2002, of which $1.17 billion (97 per cent) was received from the top 15 OECD/DAC donors. It is noteworthy that all OECD/DAC donors now participate in other resources.

7. Other resources represented an important complement to the regular resource base of UNDP, permitting the strengthening of existing programmes and fostering partnerships with a range of actors, including the European Commission, regional development banks, the World Bank and the private sector. The thematic trust fund instrument, introduced in late 2001, was designed to facilitate a flexible and agile co-financing modality to support development work that cannot otherwise be funded from regular resources or from other multilateral or bilateral sources. The crisis prevention and recovery thematic trust fund was also launched at the same time to ensure that UNDP would be well equipped with the institutional capacity to respond to the growing number of countries faced with longer-term development in the aftermath of an emergency crisis situation.

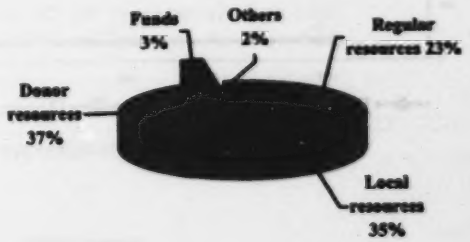
8. Total contributions to the thematic trust funds (democratic governance, poverty reduction, crisis prevention and recovery, information and communication technology, energy and environment and HIV/AIDS) amounted to $65.2 million in 2002, as compared to $65.9 million in 2001. It should be noted that while crisis prevention and recovery thematic trust fund activities in the past years were reflected under regular trust funds, it was decided that beginning in 2002 these activities would be included under the thematic trust fund category.

Figure 1. Overall contributions: five-year trend and 2002 composition

a. Five-year trend (1998-2002)



b. 2002 Composition ($2.9 billion dollars)



9. The MYFF has continued to provide the key framework for securing policy coherence and the country-driven demand nature of UNDP support, regardless of funding source. Within this framework, other donor resources (including donor cost-sharing, trust funds and MSAs) have increased, particularly in the past five years. Continuing its growth trend, total contributions other than regular resources passed the $2.2 billion mark, representing 77 per cent of total amounts received in 2002. The highest increases in receipts for other resources were generated from increases in donor cost-sharing of 35 per cent and in trust fund contributions of 39 per cent.

10. The total contributions to regular resources received during 2002, before the transfer to the biennial support budget, increased 2 per cent over the prior year from $660 million to $670 million, as a result of renewed donor support and the weakening United States dollar. As in the past, regular resources are received primarily from OECD/DAC donors. Total OECD/DAC contributions to regular resources increased by 3 per cent.

Figure 2. Overall contributions: five-year trend by type of resources

(millions of United States dollars)

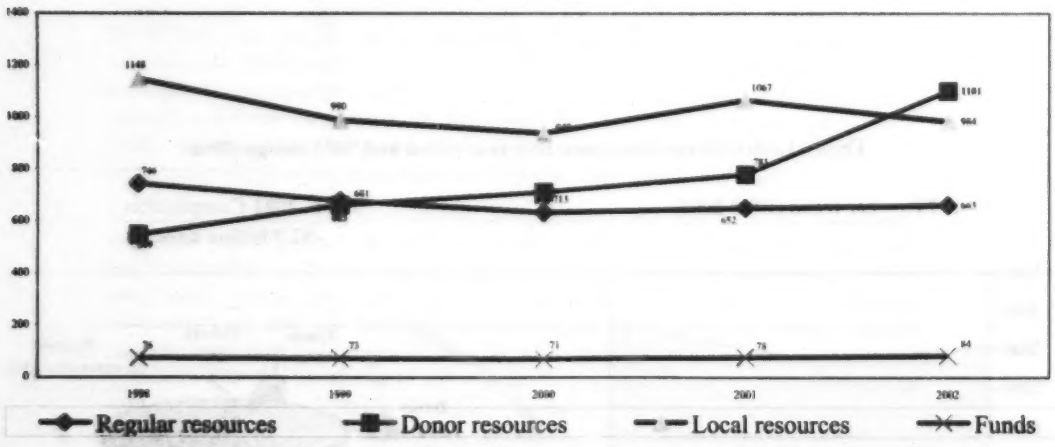


Table 1. Top 20 donors in contributions for selected UNDP activities, 2002 [a]

(millions of United States dollars)

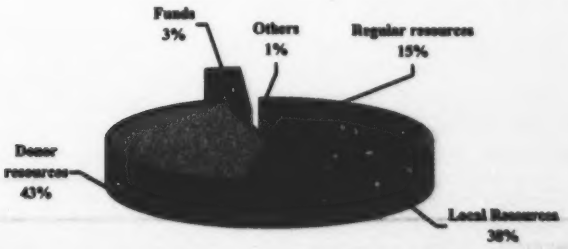
Donor	Regular resources	Trust funds, donor cost-sharing and MSAs	Funds	Total		
				2002	2001	2000
United States [b]	91	43	3	137	110	105
Japan	87	62	3	152	143	196
Norway	79	60	7	146	105	95
Netherlands	70	65	12	147	132	138
United Kingdom	56	72	7	135	93	79
Sweden	54	28	7	89	97	106
Denmark	48	15	5	68	64	63
Switzerland	33	11	1	45	40	43
Canada	28	17	1	46	39	35
Germany	24	30	3	57	26	24
Italy	17	45	7	69	60	55
France	15	4	1	20	17	19
Finland	13	8	1	22	19	18
Belgium	11	8	3	22	28	19
Ireland	8	6	1	15	9	6
Total of top 15 OECD/DAC donors	634	474	62	1 170	982	1001
Percentage of top 20 donors	96%	96%	100%	97%	96%	97%
Spain [c]	6	3	-	9	15	6
India	5	-	-	5	4	4
Australia [c]	4	12	-	16	13	16
Austria [c]	4	2	-	6	3	6
China	3	3	-	6	3	3
Total of top 20 donors	656	494	62	1 212	1 020	1 036
Total resources	663	1 101	84	1 848	1 511	1 418
Percentage of total resources	99%	45%	74%	66%	68%	73%

Source: Table 6 and 7, DP/2003/27/Add.1

[a] Ranked on the basis of regular resources income received in 2002.
[b] Includes taxes.
[c] OECD/DAC donors.

11. The aggregate programme expenditure (including funds – $77 million) increased to $2.3 billion, representing a growth of 6 per cent from the previous year. Of the total 2002 expenditure, $1.9 billion (85 per cent) pertained to other resources, including funds, while 15 per cent ($338 million) was financed from regular resources.

Figure 3. Overall programme expenditure, 2002



Total - $2.3 billion

12. In terms of regional coverage, 2002 had a similar distribution pattern to that of 2001. The Latin America and Caribbean region continued to record the highest share of programme delivery, accounting for 48 per cent of the aggregate figures or $1.1 billion. Asia and the Pacific captured $341 million, representing 15 per cent of the total expenditure. Africa incurred $306 million or 14 per cent. The Arab States amounted to $274 million or 12 per cent and Europe and the Commonwealth of Independent States accounted for $148 million or 7 per cent. Global, inter-regional and other regional programmes had $74 million or 3 per cent. Of the total $1.1 billion expenditure incurred in Latin America, 71 per cent was funded from local resources.

Table 2. Regional distribution of programme expenditure, 2001-2002

(millions of United States dollars)

	Regular resources				Other resources			
	2002	%	2001	%	2002	%	2001	%
Latin America and the Caribbean	17	5%	18	6%	1 055	56%	1 032	59%
Europe and the Commonwealth of Independent States	22	7%	24	7%	126	7%	121	7%
Africa	142	42%	141	42%	164	9%	172	10%
Asia and the Pacific	108	32%	117	35%	233	12%	187	10%
Arab States [a]	23	7%	25	8%	251	13%	202	12%
Others [b]	26	7%	8	2%	48	3%	43	2%
	338	100%	333	100%	1 877	100%	1757	100%

[a] Includes PAPP.

[b] Includes global and interregional programme.

13. The percentage share for execution modalities breaks down as follows: national execution, the preferred modality, represents 68 per cent of the overall UNDP figure, followed by direct execution, 15 per cent, UNOPS, 11 per cent and other organizations, including the big five (DESA, FAO, ILO, UNESCO and UNIDO), 5 per cent (see table 3). The growth of direct execution has been mainly in crisis countries; in 2002 this represents 86per cent of the total direct execution delivery (compared to 70 per cent in 2001). Direct execution is considered to be the most effective execution modality in crisis countries.

Table 3. Distribution of programme expenditure by execution modality: UNDP overall, 2001-2002

(millions of United States dollars)

Executing agency	Regular resources and other resources (excluding funds) 2002	%	2001	%
National execution	1 495	68%	1 330	64%
UNOPS	242	11%	267	13%
"Big five" agencies [a]	46	2%	79	4%
Other agencies	59	3%	170	8%
Direct execution (UNDP)	343	15%	214	10%
NGOs	30	1%	30	1%
Total [b]	2 215	100%	2 090	100%

Source: Table 11, DP/2003/27/Add.1

[a] DESA, FAO, ILO, UNESCO and UNIDO.

[b] Expenditures in LDCs are: $149 million in 2002; $165 million in 2001 and $176 million in 2000.

14. As at the end of 2002, the overall balance of total unexpended resources was $1.9 billion ($1.6 billion in 2001). The balance of regular resources at the end of 2002, net of after-service health insurance, was $83 million. This represents 4 per cent of the overall balance. An accounting accrual of $13 million was also made in 2002 for after-service health insurance benefits. The balance of other resources also increased to $1.7 billion, although its percentage share to the balance of all sources remained the same at 91 per cent as it was in 2001. The balances of unexpended resources for UNDP-administered funds were $98 million ($99.5 million in 2001), representing 5 per cent of the overall balance. In accordance with UNDP financial rules and regulations, other resources pledged by donors and local programme countries should be paid in advance of project commitments.

III. Regular resources

15. Activities funded by regular resources are shown in tables 4, 5 and 6. The present chapter first examines income and expenditure and then focuses on the balance of unexpended resources. Compared to 2001, total 2002 income, inclusive of interest income and other income, increased by 4 per cent to $693 million while total 2002 expenditure decreased by 5 per cent to $666 million. The available resource balance, exclusive of operational reserves, has increased by $38 million, from $45 million in 2001 to $83 million in 2002 (refer to table 4). If the reserves for after-service health insurance ($81 million in 2002 and $54 million in 2001) were taken into consideration, the increase in regular resource balance would be $65 million (66 per cent).

A. Income

16. Total contributions to regular resources received in 2002, before the transfer to the biennial support budget, were $670 million. Net contributions of $663 million were mobilized in regular resources (exclusive of interest and other income) in 2002, recording a marginal growth of 2 per cent – compared to the regular resource contributions recorded in 2001. Programme countries contributed 98 per cent of total regular resources income. It was encouraging to note that local resources amounted to $14 million in 2002 – registering a substantial growth of 27 per cent from the 2001 level of $11million.

Table 4. Income and expenditure for the years ended 31 December 2002 and 2001
(millions of United States dollars)

	Regular resources		Change between 2002 and 2001 (percentage)
Income	**2002**	**2001**	**%**
Net contributions	663.1	651.8	1.7
Interest and other income	29.6	13.1	
Total income	692.7	664.9	4.2
Expenditure			
Programme	356.8	366.2	(2.6)
Biennial support budget: net	244.1	266.9	(8.6)
Support to resident coordinator	9.2	8.9	(3.4)
Other expenditure	55.9	60.9	(8.2)
Total expenditure	666.0	702.9	(5.3)
Excess/shortfall of income over total expenditure	26.7	(38.0)	
Transfer from (to) reserves	2.5	9.0	(72.2)
Savings, refunds and other transfers	8.8	(1.8)	
Balance of unexpended resources, 1 January	45.3	76.1	(40.5)
Balance of unexpended resources, 31 December	83.3	45.3	83.9
Operational reserve	147.0	151.6	(3.0)
Total months of expenditure *	4.1	3.4	

Source: Table 1(a), DP/2003/27/Add.1

* This calculation represents the operational reserve *and* the balance of unexpended resources as a function of the average monthly expenditures of $56 million in 2002 and $59 million in 2001. The balance of $83 million in unexpended resources is equivalent to less than two months of expenditure.

B. Expenditure

17. Total 2002 expenditure under regular resources decreased by 5 per cent to $666 million. Fluctuations were noted within each major expenditure category, which is characteristic of the increasingly dynamic environment in which UNDP operates. Programme expenditure, including programme support cost, has also decreased by 5 per cent, from $366 million to $357 million (see table 4).

18. ***Biennial support budget.*** The net support budget expenditure of $244 million in 2002, the first year of the 2002-2003 biennium, was slightly higher than the expenditure level of 2000 ($233 million). This was mainly a result of the upfront costs in the biennium budget related to the implementation of an Enterprise Resource Planning (ERP) system, and to the separation of staff owing to the reform process. The 2002 figure was lower than that of 2001 ($267 million) primarily owing to the reform process, which resulted in budgetary cuts made in the context of the 2002-2003 budget proposals, as contained in document DP/2001/21 on the biennial support budget, 2000-2003. By appropriation group, 59 per cent of the expenditure was spent on programme support activities; 21 per cent on management and administration; and 20 per cent on support to the operational activities of the United Nations system.

19. ***Other expenditure.*** In comparison to 2001, other expenditure decreased by 8 per cent or $5 million, from $60 million in 2001 to $55 million in 2002. The decrease is mainly a result of the decline of $4.8 million in write-offs and miscellaneous provisions, from $5 million in 2001 to $0.2 million in 2002 (and $0.2 million in 2000). Write-offs and miscellaneous provisions were exceptionally high in 2001 as a result of the provision established to cover the overvaluation of the Cuban peso against the United States dollar.

20. An independent consulting actuary was engaged in 2001 to carry out an actuarial valuation of post-retirement health insurance benefits as of

1 January 2001. On the basis of that study, the actuary estimated that the net liability as of 1 January 2001 for after-service health insurance benefits covering all participants was $256 million. UNDP has made an accounting accrual of $54 million for the biennium ended 31 December 2002. This amount is made up of $28 million for the accrued liability as of 1 January 2001 and $26 million for 2002. The current accruals are primarily based on the funding strategy. The consulting actuary has also been engaged to propose alternatives to the funding of this liability. Management is currently assessing the alternatives proposed to develop a funding strategy for after-service health insurance.

C. Balance of unexpended resources

21. The availability of the balance of unexpended resources depends on the degree of liquidity of the net assets held. Cash and investments are the main liquid assets of UNDP. Other assets, net of liabilities, supplement investments to/from the balance of unexpended resources. Other assets include advances to country offices and to other United Nations organizations. On the liability side, unliquidated obligations and other payables represent expenditures that have been incurred but not yet disbursed.

22. At the end of 2002, UNDP held cash and investments for regular resources totalling $150 million, excluding the operational reserve. Based on a total expenditure of $666 million during the year, the UNDP liquidity position at the end of 2002 represented expenditure for approximately two and a half months of working capital. This represents a modest increase in liquidity, primarily owing to lower cash outflows from a reduced biennial support budget for regular resources. UNDP did not draw from its operational reserve in 2002, unlike 2001. The need to draw against the operational reserve impedes the ability of UNDP to manage its financial resources effectively. It diminishes the organization's ability to react to unforeseen financial situations. In order to maintain programme delivery at the agreed target, a prudent level of liquidity for UNDP regular resources would be the equivalent of expenditure for three to six months, implying a total liquidity between $167 million and $330 million at current expenditure levels.

Table 5. Movement of liquid resources, 2002 and 2001

(millions of United States dollars)

	2002	2001
Opening balance, 1 January		
Cash and investments	126.5	71.9
Income	692.7	664.9
Expenditure	(666.0)	(702.9)
Savings on obligations from prior biennium	8.8	(1.8)
Transfer from/to reserves and other transfers	2.5	6.6
Subtotal	38.0	(33.2)
Net change in advances made to governments, executing agents and expenditure incurred but not yet disbursed	(14.7)	87.8
Closing balance, 31 December [a]		
Cash and investments	149.8	126.5

Source: Table 1a and 1b, DP/2003/27/Add.1

[a] This balance of liquid assets is in addition to the investments held for the operational reserve ($147 million in 2002 and $152 million in 2001).

23. The balance of unexpended resources of $83 million shown in table 6 represents the pool of resources available to finance UNDP activities funded by regular resources. At the current level of $83 million, the balance of unexpended resources represents the equivalent of less than two months of expenditure for the organization.

Table 6. Movement in the balance of unexpended resources, 2002 and 2001

(millions of United States dollars)

	2002	2001
Balance as at 1 January	45.3	76.1
Total income	692.7	664.9
Total expenditure (including support costs and other expenditure)	(666.0)	(702.9)
Savings on obligations from prior biennium	8.8	(1.8)
Transfer from/to reserves and other transfers	2.5	9.0
Balance as at 31 December	83.3	45.3

Source: Table 1(a), DP/2003/27/Add.1

24. In accordance with Executive Board decision 99/9, the formula for the calculation of the level of the UNDP regular resource operational reserve was amended on the basis of documents DP/1999/5/Rev.1 and DP/1999/CRP.9/Rev.1. Based on the final income and expenditure data for 2002, the operational reserve will be adjusted downwards to a new level of $142 million, from $147 million, and the resulting $5 million will be transferred to the general resources of UNDP.

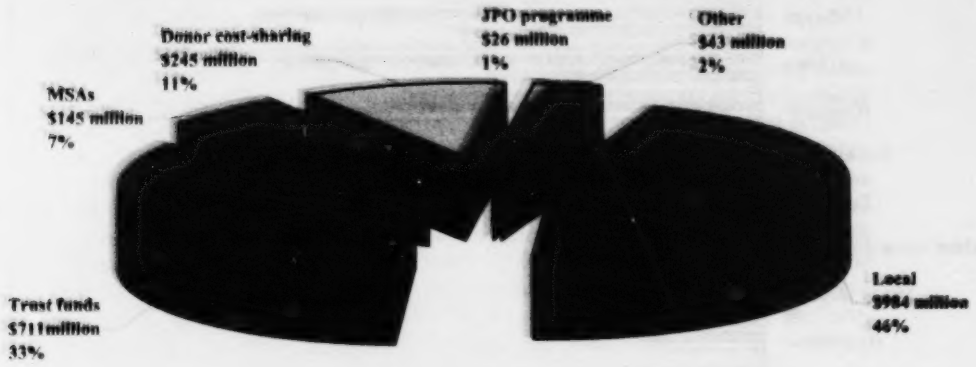
IV. Other resources

25. Activities funded by other resources comprise mainly local resources, donor cost-sharing, trust funds, management services agreements, the JPO programme and the RFA. Overall income increased by $187 million, from $2.1 billion in 2001 to $2.3 billion in 2002. Growth in OECD/DAC donor contributions is 50 per cent, from $330 million in 2001 to $496 million in 2002. Donors other than OECD/DAC countries increased their contributions by 2 per cent, from $1.74 billion to $1.77 billion. Overall expenditure also increased by 7 per cent ($128 million). Other resource contributions (net of interest and other income) received in 2002 totalled $2.2 billion, of which 46 per cent accounted for local resources (57 per cent in 2001 and 55 per cent in 2000).

26. Recent trends have shown a significant increase in other resource contributions. Other donor resources (including donor cost-sharing, MSAs and trust funds) registered a marked increase, particularly during the last five years: from $495 million in 1997 to $548 million in 1998, $663 million in 1999, $712 million in 2000, $781 million in 2001 and $1.1 billion in 2002 at a growth rate of 11 per cent (1998), 21 per cent (1999), 7 per cent (2000), 9 per cent (2001) and 41 per cent (2002), respectively. The following analysis looks separately at each of the main components: local resources; other donor resources (donor cost-sharing, trust funds and MSAs); the JPO programme; and others.

Figure 4. Contribution/income – other resources, 2002

(millions of United States dollars)



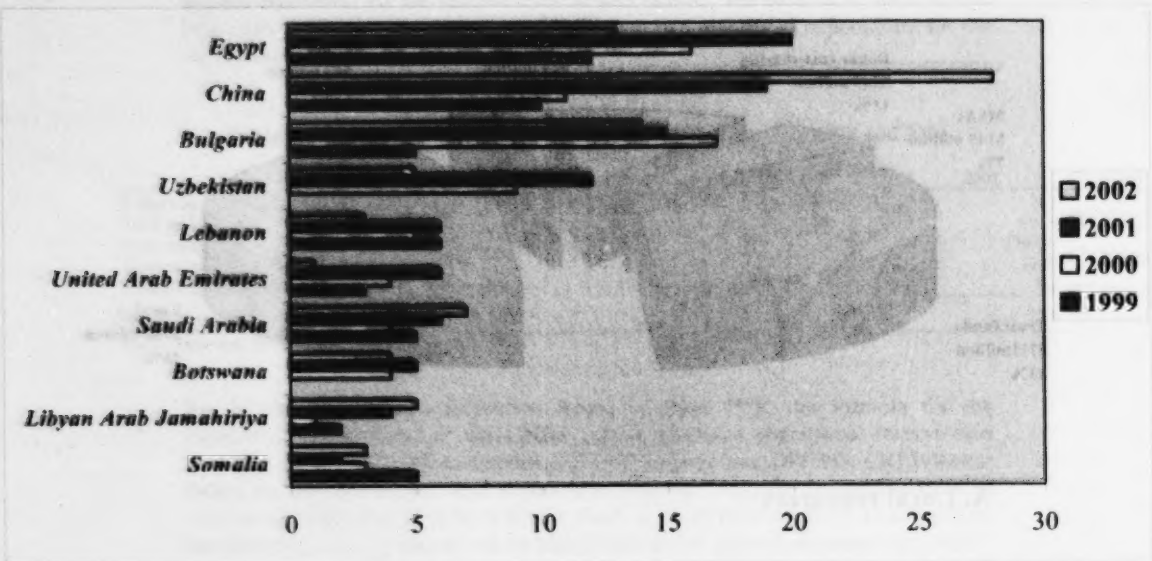
A. Local resources

Income

27. Contributions for local resources still represent a significant portion (or 46 per cent) of the total other resources income received in 2002. Compared to 2001, however, this pool of resources has decreased by 8 per cent, from $1.07 billion to $984 million. There was an unusual growth in 2001 by 13 per cent (from $941 million in 2000 to $1.07 billion in 2001). The total contributions in 2001 was the second highest ever, after the peak recorded in 1997 ($1.15 billion).

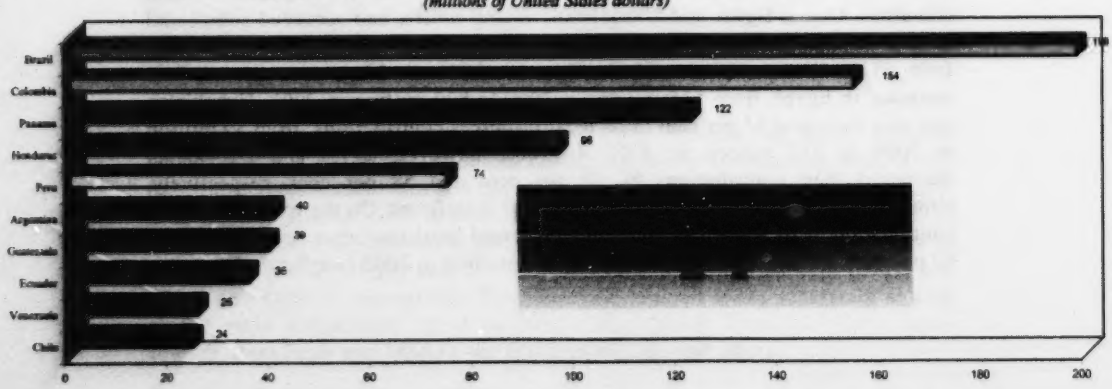
28. In recent years, until 2001, countries from various regions, other than the Latin America and Caribbean region, had increased their participation in local resources. China, Egypt and Uzbekistan, among others, had recorded substantial growth in local resources contributions. China had an increase of 73 per cent, from $11 million in 2000 to $19 million in 2001. A 25 per cent growth was recorded in Egypt, from $16 million in 2000 to $20 million in 2001. Uzbekistan had also increased 33 per cent in its local resources contributions, from $9 million in 2000 to $12 million in 2001. In 2002, however, Egypt and Uzbekistan decreased their contributions by 35 per cent and 58 per cent, respectively, although their share of participation remained significant. On the other hand, as a continuation of its growth trend, China increased local resources contributions by 47 per cent, from $19 million in 2001 to $28 million in 2002 (see figure 5).

Figure 5. Local resources contributions 1999-2002
(top ten countries outside the Latin America and Caribbean region)
(millions of United States dollars)



29. As usual, about 81 per cent of local resources contributions came from the governments of 10 programme countries of Latin America and the Caribbean region (see figure 6). Among the top ten countries in the Latin America and Caribbean region, Peru registers the highest increase in local resources by 57 per cent from $47 million to $74 million. Brazil shows a decline of $18 million, or 8 per cent, from $216 million in 2001 to $198 million in 2002.

Figure 6. Local resources contributions, 2002: top ten donors
(millions of United States dollars)

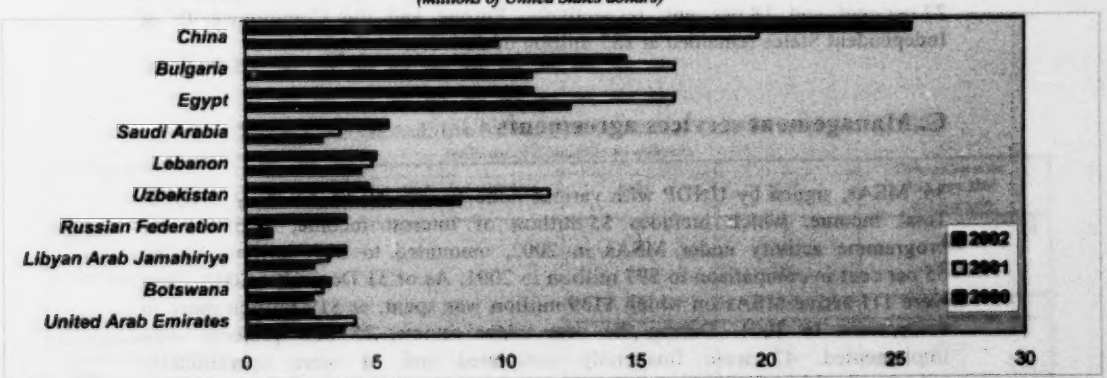


Expenditure

30. Total programme delivery in 2002 financed from local resources contributions was $862 million, 11 per cent lower than the delivery of $970 million in 2001. Countries from the Latin America and Caribbean region continued to register a major share in the delivery of both local resources and the overall programme expenditure. In 2002, the Latin America and Caribbean region collectively represented over 38 per cent of total programme expenditure (30 per cent in 2001) and 88 per cent of total local resources expenditure (86 per cent in 2001). However, there was a decrease in their regional delivery by 10 per cent from $835 million in 2001 to $762 million in 2002. Country wise, Argentina registered a sharp decline of 57 per cent (from $133 million in 2001 to $57 million in 2002). Brazil had a decrease of 18 per cent (from $209 million in 2001 to $171 million in 2002). Nevertheless, Guatemala, Peru, Honduras, Chile, Ecuador, Panama and Colombia increased their expenditure by 50 per cent, 47 per cent, 37 per cent, 35 per cent, 29 per cent, 9 per cent and 4 per cent, respectively.

31. It is also noteworthy to mention that outside the Latin America and Caribbean region, seven countries recorded significant deliveries in local resources: China – $25 million; Bulgaria – $15 million; Egypt – $11 million; Saudi Arabia – $6 million; Lebanon – $5 million; Uzbekistan – $5 million; and the Russian Federation – $4 million. Among these countries, the Russian Federation quadrupled its delivery from $1 million to $4 million; Saudi Arabia by 50 per cent from $4 million to $6 million; and China by 25 per cent from $20 million to $25 million (see figure 7).

Figure 7. Local resources expenditure 2000-2002
(top ten countries outside the Latin America and Caribbean region)
(millions of United States dollars)



B. Other donor resources

Income

32. Continuing its growth trend, other donor resources, including trust funds and MSAs, recorded once again a growth of 41 per cent, from $781 million to $1.1 billion in 2002. This pool of resources has been growing steadily for the last six years. It has grown by almost 97 per cent since 1996 (from $559 million in

1996 to $1.1 billion by the end of 2002), representing 38 per cent of the total resources mobilized by UNDP. The trust fund related to crisis, post-conflict and recovery situations registered significant growth, from $43 million in 2001 to $96 million in 2002.

33. Thematic trust funds were first introduced toward the end of 2001. There was no expenditure incurred and total contribution of $22 million was received in 2001. As the total contribution received in 2002 was $30 million, an increase of 39 per cent ($8 million) was registered. Among the seven themes, the thematic trust fund for democratic governance was ranked the highest with a total contribution of $14 million in 2002, followed by the thematic trust fund for poverty reduction for sustainable development with a total contribution of $8 million.

Expenditure

34. Total other donor resources expenditure increased by 2 per cent from $970 million in 2001 to $990 million in 2002, mainly owing to a 30 per cent growth in trust fund expenditure, from $443 million to $579 million (including thematic trust funds expenditure of $18 million). Among the thematic trust funds, the trust fund for democratic governance and the trust fund for HIV/AIDS registered the highest share in the 2002 delivery of $14 million and $3 million, respectively.

35. As a region, Asia and the Pacific region showed a 65 per cent growth, with a delivery of $221 million, ranked the highest in other donor resources ($134 million in 2001). The Arab States region rose by 15 per cent, from $166 million in 2001 to $178 million in 2002. On the other hand, the Latin America and the Caribbean region and the Africa region experienced decreases of 22 per cent and 18 per cent, respectively. Europe and the Commonwealth of Independent States remained at $87 million of delivery.

C. Management services agreements

36. MSAs, signed by UNDP with various donors, were all executed by UNOPS. Total income, which includes $5 million of interest income, available for programme activity under MSAs in 2002, amounted to $150 million, up by 55 per cent in comparison to $97 million in 2001. As of 31 December 2002, there were 111 active MSAs on which $139 million was spent, or $19 million more in comparison to 2001. During the year under review, 25 new projects were implemented, 42 were financially completed and 11 were operationally completed. Table 7 shows the distribution by region of MSA expenditures for 2001 and 2002.

Table 7. Distribution of MSA expenditure by region for the years ended 31 December 2002 and 2001
(millions of United States dollars)

	2002	2001
Region		
Latin America and the Caribbean	31.8	53.8
Africa	42.3	30.9
Europe and the Commonwealth of Independent States	20.2	5.5
Arab States	0.3	4.1
Asia and the Pacific	33.0	20.3
Global and interregional	10.9	5.2
Total	138.5	119.8

Source: UNOPS

D. Junior Professional Officer programme

37. A total of 21 governments have participated in the UNDP JPO programme (as compared to 19 in 2001). The total number of new JPOs sponsored to UNDP was 201, an increase of 12 per cent or 22 JPOs, as compared to 19 new JPOs sponsored in 2001. As of 31 December 2002, UNDP administered 258 JPOs in the programme.

38. UNDP received a total of $25.3 million in contributions for the JPO programme in 2002, an increase of 15 per cent over the $22.1 million received in 2001. After a long break, Portugal, Ireland and the United Kingdom resumed their participation in 2002. In 2002, new memoranda of understanding were signed with Australia and Monaco. The JPOs funded by these two countries, however, did not join the organization until early 2003.

39. The total expenditure incurred during 2002, including support cost, was $26.9 million ($24.7 million in 2001). The resource balance available at the end of 2002 was $3.6 million, a slight decrease compared to $4.2 million in 2001.

E. Reserve for field accommodation

Table 8. Income and expenditure for the years ended 31 December 2002 and 2001
(millions of United States dollars)

	2002	2001	Change between 2002 and 2001 (percentage)
Income			
Rental income	1.3	1.1	18.2
Other income-net	0.9	0.8	12.5
Total income	2.2	1.9	15.8
Expenditure			
Repairs and maintenance	0.4	0.6	(33.3)
Other	0.9	0.8	12.5
Total expenditure	1.3	1.4	(7.1)
Operating surplus	0.9	0.5	80.0
Cumulative surplus (deficit), 1 January	(4.2)	(4.6)	8.7
Cumulative deficit, 31 December	(3.3)	(4.2)	21.4

Source: Table 13, DP/2003/27/Add.1

40. With the support of the Executive Board, UNDP is continuing to move towards the disposal of assets. As reported previously, a provision for asset write-offs/downs was established in 1997. UNDP currently manages 181 housing units in 22 countries, a reduction from 256 units in 22 countries reported in 2001. Some of the units were returned to the governments or sold off. Forty-five of the units

are owned by UNDP while 136 units are leased from the governments of the respective countries.

41. The aggregate summary of the RFA accounts is shown in table 8. Table 13 of the addendum (DP/2003/27/Add.1) shows separate statements of income and expenditure and assets and liabilities for the RFA. Separate figures are set out for the office premises operations, for housing operations and for the reimbursable support services. Total housing assets as at 31 December 2002 are $15.3 million, a decrease from $16.6 million as of 31 December 2001. The figure for office premises assets as of 31 December 2002 is $20.6 million. The net amount due to UNDP regular resources has decreased from $11.9 million on 31 December 2001 to $10.4 million on 31 December 2002.

42. In 2002, housing operations reported a surplus of income over expenditure totalling $0.4 million while office premises operations reported $0.2 million. Claims totalling $0.4 million were settled from the list of unpaid debt in 2002. Claims totalling $1.1 million remained outstanding as of 31 December 2002. UNDP does not, however, recognize the validity of these claims.

43. The initial provision for asset write-down of $14.1 million was set up in 1996-1997 on the basis of management's best estimate of RFA assets impairment as of 31 December 1997. With a disposal through sale of some of the properties over the years and consequent charges to the provision, the current balance as of 31 December 2002 was $9.7 million. Accumulated rental income of $0.09 million was applied towards reducing the capitalized rehabilitation costs for housing in 2002.

V. Funds administered by UNDP

44. Table 5(a) in the addendum to the present report (DP/2003/27/Add.1) provides detailed data for the five funds administered by UNDP of which two (UNRFNRE and UNFSSTD) are expected to be closed in 2003. The results of activities undertaken in 2002 are outlined in this section.

A. United Nations Capital Development Fund

45. Contributions to UNCDF regular resources fell by 8.6 per cent or $2.1 million, bringing the total amount received in 2002 to $22.2 million. The main factor explaining this situation is that one of the major contributors to UNCDF significantly reduced its contribution in 2002. Contributions to trust fund and cost-sharing, however, registered an increase of 94 per cent, at $3.5 million in 2002, compared to $1.8 million in 2001.

46. Following through on its commitment to results-based management, UNCDF presented its second results-oriented annual report (DP/2002/46) in 2002. The report was noted with appreciation by the Executive Board in its decision 2002/26, and it was recognized that the mission of the Fund was consistent with the main objective of poverty reduction set out in the Millennium Declaration, as well as relevant to the implementation of the Brussels Programme of Action for the Least Developed Countries adopted in 2001. Unfortunately, in 2002, the regular resources available to the United Nations Capital Development Fund again fell far below the demand of programme countries, in particular the least

developed countries, for its small-scale investments and capacity-building services in its two areas of concentration – local governance and micro-finance. At its second regular session 2002, the Executive Board in its decision 2002/26 invited the international community to help to achieve the UNCDF regular resources mobilization target of $30 million yearly.

47. Regular resource contributions to UNCDF in 2002 fell far short of its mobilization target of $30 million. Programme expenditure against regular resources was therefore reduced to $22.5 million. The consequences on the ground were severe for the programme countries affected. The impact, however, was minimized to a point where the inevitable reduction in performance was less than proportional to the reduction in programme expenditure. Although programme expenditures for regular resources declined by $9.7 million or 30 per cent compared to 2001, programme expenditures for trust funds and cost-sharing increased by $0.6 million or 38 per cent from $1.6 million to $2.2 million in 2002. It is planned to reduce programme expenditures further to about $18 million in 2003 and 2004, if the target of $30 million endorsed by the Executive Board is not reached. At the annual session 2003, the Board reiterated its recommendation to the international community to help to achieve the UNCDF resource mobilization target.

48. Unexpended resources as of 31 December 2002 amounted to $53.2 million, including an operational reserve of $33 million. The operational reserve decreased by $5 million from $38 million in 2001.

B. United Nations Development Fund for Women

49. In its decision 2000/7, the Executive Board approved the UNIFEM Strategy and Business Plans, 2000-2003. UNIFEM continued working to fulfil its mandate by focusing on its three thematic areas and five regular resources strategies identified in the previous plan, which support an innovative and catalytic approach to women's empowerment and gender equality.

50. Total contributions for UNIFEM increased by $6.7 million or 24 per cent to $34.6 million in 2002 from $27.9 million in 2001. There was a 100 per cent increase in cost-sharing and trust fund contributions from $7.2 million in 2001 to $14.5 million in 2002. Contributions to regular resources, however, remained at the same level of $20 million as in 2001.

51. The overall programme expenditure, including support costs paid to implementing agents, increased by $7.4 million or 34 per cent from $21.8 million in 2001 to $29.2 million in 2002. Programme expenditure for regular resources increased by $4.3 million or 29 per cent from $15.0 million in 2001 to $19.3 million in 2002. Expenditures for cost-sharing and sub-trust funds increased by $3.4 million or 52 per cent from $6.5 million in 2001 to $9.9 million in 2002.

52. Unexpended resources as of 31 December 2002 totalled $24.3 million, which is the same as the amount on 31 December 2001. These resources together with contributions receivable of $15.3 million cover the unspent project budgets of $25 million for 2003 and future years. The level of the operational reserve was reviewed in accordance with Executive Board decision 97/4 of January 1997, and the reserve was maintained at $7.4 million at the end of 2002.

C. United Nations Volunteers

53. The year 2002 marked the sixth successive year of growth of UNV with some 5 230 volunteers – representing 158 nationalities – carrying out over 5 550 assignments in 139 countries. The total financial magnitude of all activities surpassed $100 million for the third consecutive year. Of this, some 24 per cent was covered from contributions that are made to UNV directly (Special Voluntary Fund, cost-sharing, trust funds, full funding arrangements and direct contributions relating to United Nations peacekeeping activities). The remaining 76 per cent was covered by direct charges to the programmes of the United Nations, and other United Nations funds, programmes and specialized agencies, including UNDP.

54. Table 9 provides an overview of income relating to the Special Voluntary Fund, cost-sharing, trust funds, full-funding arrangements and United Nations peacekeeping activities. Except in the case of fully funded arrangements, contributions to all other funds increased. The decrease in contributions for full-funding arrangements is a result of the decrease in income recorded from two donors in particular. Contributions in 2002 in the context of United Nations peacekeeping activities include approximately $3.0 million relating to 2001.

Table 9. Contributions for 2002 and 2001
(millions of United States Dollars)

Source of fund	2002	2001
Special Voluntary Fund	4.4	3.6
Cost-sharing	2.6	2.0
Trust funds	4.5	4.4
Fully funded arrangements	4.2	10.5
United Nations peace-keeping operations	8.0	2.9
Total	23.7	23.4

Source: UNV

55. Total programme expenditure in 2002 covered by direct contributions increased slightly compared to 2001. The increase was mainly a result of increased expenditure under cost-sharing, trust funds and United Nations peacekeeping operations.

Table 10. Programme expenditure for 2002 and 2001 [a]
(millions of United States dollars)

Source of fund	2002	2001
Special Voluntary Fund	7.3	7.9
Cost-sharing	1.2	0.8
Trust funds	5.2	4.6
Fully funded arrangements	4.4	4.6
United Nations peace operations	5.0	4.2
Total	23.1	22.1

Source: UNV

[a] Excludes financial equivalent of UNV activities financed directly by the United Nations and other United Nations funds, programmes and specialized agencies, including UNDP.

56. In its decision 98/13, the Executive Board approved the creation of a reserve with initial funding of $0.9 million to cover medical evacuation and security-related costs. The opening balance of the reserve as of 1 January 2002 was $1.8

million. In 2002, the reserve was replenished with $0.1 million from provisions made in the pro forma cost of volunteers. Disbursements from the reserve in 2002 were $0.3 million for medical evacuation purposes and $0.2 million for security evacuation purposes. The balance as of 31 December 2002 was therefore $1.4 million. The Administrator believes that maintaining the current balance is fully justified in view of the fact that costs in respect of field and inter-agency security measures are projected to increase.

Annex. UNDP overview

Table 11a. Statement of income and expenditure for the year ended 31 December 2002, with comparative figures for 2001

(thousands of United States dollars)

	Regular resources			Other resources			Funds			Total		
	2002	2001	+/-	2002	2001	+/-	2002	2001	+/-	2002	2001	+/-
Income												
Contributions	670 353	660 724	2%	2 153 644	1 885 691	14%	84 213	77 584	9%	2 908 210	2 623 999	11%
Transfer to biennial support budget	(7 215)	(8 970)	(20%)	-	-	-	-	-	-	(7 215)	(8 970)	(20%)
Net contributions	663 138	651 754	2%	2 153 644	1 885 691	14%	84 213	77 584	9%	2 900 995	2 615 029	11%
Interest income	10 035	(32 104)	-	38 516	106 319	(63%)	2 140	6 604	(68%)	50 691	78 819	(35%)
Other income: net	19 612	45 211	(57%)	61 186	75 967	(19%)	8 667	13 160	(34%)	89 465	134 338	(33%)
Total income	692 785	664 861	4%	2 253 346	2 065 977	9%	95 020	97 348	(2%)	3 041 151	2 828 186	8%
Expenditure												
Programme	337 838	332 585	2%	1 876 808	1 757 252	7%	77 004	77 430	(1%)	2 291 650	2 167 267	6%
Programme support – implementing agents	18 951	33 633	(44%)	3 115	23 995	(87%)	4 053	5 589	(27%)	26 119	63 217	(89%)
Programme support to resident coordinator	5 883	7 613	(23%)	7 090	1 837	-	-	-	-	12 973	9 450	-
Development support services	3 290	1 261	-	-	-	-	-	-	-	3 290	1 261	-
UNDP economist programme	3 694	-	-	-	-	-	-	-	-	3 694	-	-
Biennial support budget: net [a]	244 147	266 892	(9%)	161 947	136 908	18%	18 796	16 396	15%	424 890	420 196	1%
Other expenditure	52 212	60 954	(14%)	1 708	2 268	(25%)	46	431	(89%)	53 966	63 653	(15%)
Total expenditure	666 015	702 938	(5%)	2 050 668	1 922 260	7%	99 899	99 846	-	2 816 582	2 725 044	3%
Excess (shortfall) of income over expenditure	26 770	(38 077)	-	202 678	143 717	41%	(4 879)	(2 498)	(95%)	224 569	103 142	-
Savings on obligations of prior biennium	8 838	(1 831)	-	3 638	353	-	23	78	(70%)	12 499	(1400)	-
Transfers from (to) reserves	2 560	15 400	(83%)	(1 360)	(2 600)	48%	5 000	(800)	-	6 200	12 000	(48%)
Refunds to donors and transfers from (to) from other funds	(70)	(6 373)	-	(14 817)	(4 337)	-	(1 956)	(325)	-	(16 843)	(11 035)	(53%)
Balance of unexpended resources, 1 January	45 250	76 131	(41%)	1 490 363	1 353 230	10%	99 519	103 064	(3%)	1 635 132	1 532 425	7%
Balance of unexpended resources, 31 December	83 348	45 250	84%	1 680 502	1 490 363	13%	97 707	99 519	(2%)	1 861 557	1 635 132	15%

Source: Table 1(a), DP/2003/27/Add.1.

[a] Contains country office administrative charge.

Table 11b. Assets, liabilities and reserves and fund balances as of 31 December 2002, with comparative figures for 2001

(thousands of United States dollars)

	Regular resources			Other resources			Funds			Total		
	2002	2001	+/-	2002	2001	+/-	2002	2001	+/-	2002	2001	+/-
Assets												
Cash	32 791	-	-	15 428	11 629	33%	915	1 229	(26%)	49 134	12 858	-
Government letters of credit	-	-	-	47 799	43 523	10%	-	-	-	47 799	43 523	10%
Investments held for:												
Operational reserve	146 960	151 600	(3%)	-	-	-	-	-	-	146 960	151 600	(3%)
Regular resources	117 031	126 458	(7%)	183 810	212 777	(14%)	103 911	105 625	(2%)	404 752	444 860	(9%)
Other	1 547 612	1 363 924	13%	7 830	-	-	-	-	-	1 555 442	1 363 924	14%
Subtotal investments	1 811 603	1 641 982	10%	191 640	212 777	(10%)	103 911	105 625	(2%)	2 107 154	1 960 384	7%
Total cash, letters of credit and investments	1 844 394	1 641 982	12%	254 867	267 929	(5%)	104 826	106 854	(2%)	2 204 087	2 016 765	9%
Advances from governments and executing agencies	74 194	63 131	18%	175 641	202 283	(13%)	5 155	4 838	7%	254 990	270 252	(6%)
Accounts receivable and deferred charges	127 508	138 755	(8%)	1 592 186	1 454 931	9%	48 430	50 828	(5%)	1 768 124	1 644 514	8%
Accrued interest	10 960	12 435	(12%)	8 765	12 134	(28%)	716	1 420	(50%)	20 441	25 989	(21%)
Long-term accounts receivable	-	-	-	693	780	(11%)	-	-	-	693	780	(11%)
Special capitalized assets	1 570	1 570	-	34 312	34 824	(1%)	-	-	-	35 882	36 394	(1%)
Loans to governments	-	-	-	785	967	(19%)	539	933	(42%)	1 324	1 900	(30%)
Total assets	2 058 626	1 857 873	11%	2 067 249	1 973 848	5%	159 666	164 873	(3%)	4 285 541	3 996 594	7%
Liabilities												
Advances to governments and executing agencies	14 303	4 943	-	66 262	60 832	9%	7 919	5 618	41%	88 484	71 393	24%
Unliquidated obligations	46 168	70 801	(35%)	129 319	193 808	(33%)	5 095	5 785	(12%)	180 582	270 394	(33%)
Accounts payable	73 750	55 528	33%	63 612	65 329	(3%)	6 621	6 762	(2%)	143 983	127 619	13%
Due to other resources	1 554 664	1 408 833	10%	29 600	66 968	(56%)	-	-	-	1 584 264	1 475 801	7%
Other liabilities	137 863	119 348	16%	3 994	3 948	1%	1 924	1 789	8%	143 781	125 085	15%
Total liabilities	1 826 748	1 659 453	10%	292 787	390 885	(25%)	21 559	19 954	8%	2 141 094	2 070 292	3%
Reserves and fund balances												
Operational reserve	146 960	151 600	(3%)	65 960	64 600	2%	40 400	45 400	(11%)	253 320	261 600	(24%)
Endowment fund	-	-	-	3 000	3 000	-	-	-	-	3 000	3 000	-
IFA authorized level	-	-	-	25 000	25 000	-	-	-	-	25 000	25 000	-
Special capital resources	1 570	1 570	-	-	-	-	-	-	-	1 570	1 570	-
Balance of unexpended resources	83 348	45 250	84%	1 680 502	1 490 363	13%	97 707	99 515	(2%)	1 861 557	1 635 128	14%
Balance of unexpended resources and special capital resources	84 918	46 820	81%	1 680 502	1 490 363	13%	97 707	99 515	(2%)	1 863 127	1 636 698	14%
Total reserves and balance of unexpended resources	231 878	198 420	17%	1 774 462	1 582 963	12%	138 107	144 915	(5%)	2 144 447	1 926 298	11%